



Good Compensation Practices Matter – Anytime!

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[Workshop Purpose]

- Understand key reasons why pay programs do not make a difference
- Understand business rationale behind effective compensation practices
- Learn tools and techniques for assessment

[Workshop Agenda]

- Top five reasons that pay programs fail
- Tools for the toolbox and processes
- Successfully integrating pay systems into your Human Resources strategy

Top Five Reasons Why Pay Programs Fail

1. Pay programs with no guiding philosophy
2. Pay programs disconnected from business goals
3. Pay programs with no line of sight
4. Pay programs with limited metrics for evaluation
5. Pay programs that are non-compliant

Reason #1: No Guiding Philosophy

- Many companies neglect to create a guiding philosophy & strategy for pay
- The result is:
 - Lack of direction
 - Inadequate management support
 - Ineffective communication & employee understanding

Reason #1: No Guiding Philosophy

- Tool: a formal, written and communicated philosophy & strategy
- Process:
 - Discuss philosophy and direction with senior management team
 - Draft a philosophy/strategy statement
 - Approve, adopt, communicate

[Reason #2: Disconnects]

- Pay programs are sometimes disconnected from business unit goals
- The result is programs that:
 - Don't reward desired results or behavior
 - Have limited impact on business strategy
 - Lack a pay-for-performance focus

[Reason #2: Disconnects]

- Tool: create measurable performance criteria that link directly to business goals & objectives
- Process:
 - Understand and clarify business goals
 - Create measurable performance criteria
 - Test, model and refine, & communicate

[Reason #3: No Line of Sight]

- Pay programs sometimes focus only on the financials, or on performance that has no relevance for participants
- The result is pay programs that:
 - Have no relevance for participants
 - Become entitlements
 - Are difficult to modify

[Reason #3: No Line of Sight]

- Tool: design programs to support a balance of business goals that are directly related to participant efforts
- Process:
 - Determine participant levels
 - Design appropriate performance measures
 - Define funding mechanism(s) separately

Reason #4: No Evaluation Metrics

- Many times pay programs are thrown together with no goals or objectives
- The result is programs that:
 - Are ineffective or at best impact-neutral
 - Do not support HR needs
 - Have no means for assessment of effectiveness

Reason #4: No Evaluation Metrics

- Tool: define metrics for pay programs that can be measured for business impact & HR alignment
- Process:
 - Determine evaluation cycle
 - Create measurable evaluation criteria
 - Measure, adjust & communicate as necessary

[Reason #5: Non-compliance]

- Non-compliance in terms of knowledge & application of wage/hour laws
- The result is pay programs with:
 - Incorrect FLSA classifications for jobs
 - Incorrect methods for determining overtime payments
 - Violations of non-discrimination laws

[Reason #5: Non-compliance]

- Tool: audit pay plans every two to three years for compliance
- Process:
 - Stay current with appropriate rules & regulations
 - Evaluate pay mechanisms within program
 - Make changes as needed and communicate

[Successful Integration]

- Pay programs that successfully integrate these guidelines have:
 - Organizational effectiveness
 - Clearly defined purpose
 - Evaluation process
 - Results focused metrics
 - Impact on business results

[Communication]

- Fulton's "Law of Communication":
 - In the absence of communication you get mis-information
- A focused communication strategy generates:
 - Understanding
 - Trust
 - (ideally) Motivation & commitment

[Questions?]



The Pathfinder's Group, Inc.

Bob Fulton is the owner of **The Pathfinder's Group, Inc.** and has assisted senior management teams recreate their total remuneration strategies at various service and manufacturing organizations, including Goss International Corporation, Sara Lee, Pepsi Americas, Keebler Company, Sweetheart Cup Company and Northwestern Memorial Hospital. We will bring the same dedication and effort to your organization. Our focus is to work closely with your Human Resources team to increase the efficiency and effectiveness of your compensation and benefits systems. Together we can integrate compensation systems into your organization's business strategy, and ensure the performance improvement that is critical to today's business success.



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